

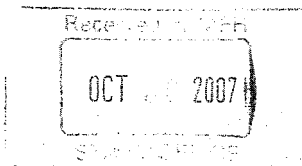


Central Minnesota Housing Partnership, Inc.

810 West St. Germain Street Suite 303 • St. Cloud • Minnesota • 56301-4092

DATE: October 26, 2007

TO: Cities
Housing & Redevelopment Authorities
County Commissioners
Economic Development Authorities
Community Action Councils
Rural Development Offices



FROM: Deanna Hemmesch, Program Manager
Central Minnesota Housing Partnership

RE: HOME Rental Rehabilitation Program Funding Availability

The Central Minnesota Housing Partnership (CMHP) expects to receive approximately \$1,000,000 in funding from the Minnesota Housing Finance Agency to administer the HOME Rental Rehabilitation Program (HRRP). Applications are currently being accepted for this program at CMHP offices until **Monday, February 4, 2008**. Counties included in the CMHP's service area include Aitkin, Benton, Carlton, Cass, Carver, Chisago, Crow Wing, Isanti, Kanabec, Mille Lacs, Morrison, Pine, Sherburne, Stearns, Todd, Wadena and Wright. This program offers rental property owners a deferred loan for project costs to rehabilitate their buildings. Projects that are selected for funding will require an application fee in order to move ahead. Eligible building improvements include but are not limited to roofs, siding, windows, major systems updating, floor coverings, and painting. HRRP funding is available only to properties that meet certain rent limits and tenant income limits. In addition, projects approved for this program must agree to maintain rent and income limits for at least five years.

Please pass this information to interested rental property owners and have them contact me to obtain application materials needed for the February 4th deadline. This information will be used to evaluate each project through the CMHP's selection criteria process. Owners will be notified of the status of their project after a review of all applications is completed.

Because of the complex nature of the HRRP, the CMHP will set up a mandatory orientation session for all selected applicants to continue with the application process. All deadlines must be adhered to in order to be considered for funding. Applications received after the deadline stated, will be considered ineligible for 2008 funding. The information being requested for the February 4th deadline is a pre-application. Selected applicants will be informed of all the remaining materials that need to be submitted at the orientation session.

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Reasonable accommodations are available

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WEB PAGE cmhp.net

CMHP SELECTION CRITERIA

HOME RENTAL REHABILITATION PROGRAM

Factors and Award/Evaluation Criteria

- ⇒ Buildings in jeopardy of conversion to market rate or losing its subsidy 20 points
 - Section 8 contract that will expire within the next 5 years
 - Pre-payment offer made to Rural Dev. or HUD
 - ⇒ Long-term affordability requirement of housing units 20 points
 - Minimum of 10 years of affordability remaining
 - Rural Development, Tax Credit, Non Profit
 - ⇒ Community Housing Need 10 points
 - Housing study identifying need
 - Economic Growth
 - Rehabilitation project being implemented
 - ⇒ Number of units in development (more is better) 20 points
 - 8-15 units 10 points
 - 16-24 units 15 points
 - 25 + units 20 points
 - ⇒ Number of bedrooms per unit (2 or more) 10 points
 - 1 point per two + bedroom unit (max. 10 points)
 - ⇒ Cash Flow Analysis 15 points
 - Vacancy Rates under 7% - 5 pts
 - Cash match available and secured – 10 pts
 - ⇒ Existing condition of property 10 points
 - \$3,000-\$8,999/unit – 5 points
 - \$9,000-\$14,000/unit – 10 points
-

⇒ **5 Bonus Points (Each)**

- Project in counties not previously awarded funding for the past two years
- Projects that applied the previous year.

Automatic Denial:

Owners currently out of compliance with HOME or are delinquent with real estate taxes will be automatically denied.

2008 CMHP ALLOCATION PLAN

HOME RENTAL REHABILITATION PROGRAM

- I. The MHFA HOME Rental Rehabilitation program will be marketed to all counties represented by the Central Minnesota Housing Partnership's administration. This effort will include:
 - A. Press release to local newspapers
 - B. Direct mailing release and program description to the following:
 - Mailing list of interested applicants
 - HUD funded projects
 - MHFA funded projects
 - Housing and Redevelopment Authorities
 - County Commissioners
 - Economic Development Councils
 - Community Action Councils
 - Rural Development offices
 - Property Management Companies
 - C. Presentations
 - County Commissioners
 - City Council Meetings
 - City Planner – for Cities not Already Served
 - Morrison County Housing Coalition
 - HOPE Meeting
 - COC Meeting
- II. An affirmative effort will be made to fund projects in all counties by giving a priority to projects in counties that have not had projects funded in the last two years. This effort will be realized through giving 5 bonus points to all projects in under-funded counties. Counties not previously funded are Aitkin, Carver, Chisago, Isanti, Kanabec, Mille Lacs, and Pine.
- III. No more than 50% of projects will go to any one county in a program year. If funding remains after all qualified projects receive funding, the remaining funding will be distributed to applications based on need.
- IV. Owners/property managers that are currently out of HOME compliance or are delinquent on their real estate taxes will automatically be denied funding for that year.

The HOME Rental Rehabilitation Program provides funding for rehabilitation of permanent rental housing that is affordable to, and occupied by, low-income persons and families. Generally, tenant income must be less than 60% of the area median income at the time of funding commitment. Tenants with incomes above the program guidelines may occupy units in the building. However, program funds may be expended only on units occupied by eligible tenants.

Eligible Borrowers

Eligible borrowers must be able to document that they have a qualifying interest ($\frac{1}{3}$ interest) in the property to be rehabilitated, and may include individuals, corporations, partnerships, nonprofit organizations and HRAs.

Owners of developments that are receiving project-based federal rental subsidies must agree to continue participating in the subsidy program, and to renew participation for however long the assistance is offered.

Deferred Loan Financing Terms

Eligible developments obtaining \$100,000 or more in HOME funds will receive a 0% deferred loan that is coterminal with the existing first mortgage (a first mortgage is required to obtain a deferred payment loan). These larger developments may obtain financing of 100% of eligible costs as long as the development doesn't receive more than \$14,000 per unit in HOME financing. The Agency will monitor these properties for 5 years to ensure compliance with occupancy, rent, and physical condition standards.

Repayment is required upon sale, transfer, payment in full or upon maturity of any senior mortgage or in the event of default of Minnesota Housing's repayment agreement and mortgage.

Forgivable Loan Financing Terms

Eligible developments obtaining less than \$100,000 in HOME funds will receive a 0% loan that is forgiven after a five-year period of compliance with affordability and property standards. Borrowers must provide a minimum of 25% of HOME-eligible costs. The borrower's match must be greater than 25% where less than 75% of the units are HOME-assisted and all units in the building are rehabilitated, and/or the borrower proposes items of work not eligible for HOME funding, and/or the cost of the rehabilitation is greater than \$14,000 per unit.

Repayment is required upon sale, transfer or in the event of default of Minnesota Housing's repayment agreement and mortgage.

Forgivable loans are end loans; therefore, no draws will be permitted prior to development completion. Borrowers will be required to obtain construction financing during the construction period.

- At application for HOME funds, borrowers must provide documentation to demonstrate the source, terms and conditions of their 25% match. This information may be in the form of:
- ✓ A commitment letter from a lending institution stating that private funds will be available to the borrower contingent upon obtaining the HOME funds;
 - ✓ A commitment letter from a governmental body providing other public funds such as Community Development Block Grant funds, Minnesota Housing's Rental Rehabilitation Loan Program funds, or other qualifying funds;
 - ✓ For U.S. Rural Development, Section 8 and HUD 236 projects, a letter from the local Rural Development office and/or HUD stating that the borrower may use reserve funds for the 25% match.

Ineligible Properties

- ✓ Developments under the Emergency Low Income Housing Preservation Act of 1987 or the Low-Income Housing Preservation and Resident Homeownership Act of 1990
- ✓ Minnesota Housing financed developments that are eligible for, or actively participate in the Redefined Equity Program
- ✓ Minnesota Housing or other federally financed developments that have reserves sufficient to capitalize improvements
- ✓ Developments previously funded under the HUD and/or HOME Rental Rehabilitation Program
- ✓ Minnesota Housing or other federally financed developments that have pre-paid their mortgage within the previous 5 years
- ✓ Other Housing Developments (e.g., shelters, transitional housing, nursing homes, assisted living, public housing, etc.)
- ✓ Developments where bankruptcies appear against the property and/or where there are outstanding liens or judgments filed against the property

Note: The program is not available in areas that receive their own HOME funds. Those areas are: Minneapolis, St. Paul and Duluth, and the counties of Anoka, Dakota, Ramsey, Washington, Hennepin, St. Louis, Cook, Itasca, Koochiching and Lake.

Eligible Improvements/Expenses

- Eligible improvements must be permanent, general improvements that:
- ✓ Have not been started prior to loan commitment;
 - ✓ Bring the property into compliance with all applicable state and local codes, rehabilitation standards, ordinances, Section 8 Housing Quality Standards (HQS), zoning ordinances and become lead safe.

Ineligible Improvements/Expenses

Ineligible improvements include but are not limited to:

- ✓ New construction;
- ✓ Installation of air conditioners, unless previously provided and owned by the development;
- ✓ New recreational or luxury improvements;
- ✓ Coin operated laundry machines;
- ✓ Non-fixed improvements (e.g., equipment and furnishings not considered part of the real estate.)

Other Federal Requirements

Developments with 12 or more units assisted under this program must comply with the requirements of the Davis Bacon Act, applicable provisions of the Contract Work Hours and Safety Standards Act, and other applicable federal laws and regulations pertaining to Labor Standards.

Developments are subject to an Environmental Review under provisions of the National Environmental Policy Act of 1969.

Uniform Relocation Act requirements apply to this program. This program may not be used if it will result in the displacement of existing tenants. Relocation expenses, if any, must be paid by the owner. In certain cases, the cost of temporary relocation of tenants to permit the lead-safe rehabilitation of their units may be paid with program funds. However, in no case may the total cost to the program of rehabilitation and temporary relocation exceed \$14,000 per unit.

Lead-based paint maintenance activities begin with performing a visual assessment of bare soil and lead-based paint annually and at the time of unit turnover. Following this assessment, hazards must be corrected in the lead-safe manner prescribed in federal

regulations (24 CFR part 35.1355). Owners should consider taking the short visual assessment course that HUD offers over the Internet at www.hud.gov/lea/lbptraining.html.

If maintenance activities exceed the minimum thresholds at which it becomes necessary to use trained personnel, owners should either hire trained contractors to perform the maintenance activities or obtain training themselves. Information about training courses may be obtained at the following HUD Internet address:

www.hud.gov/lea/hudtraining.pdf

During the five-year period of compliance, the owner must agree to maintain compliance with standards, and to conduct ongoing lead-based paint maintenance activities to control lead hazards that may appear after rehabilitation.

Obtaining Application Material

Minnesota Housing contracts with local agencies, such as HRAs, CAP agencies, and nonprofits, to administer this program. For an administrator in your area, please contact Minnesota Housing at 651-297-3294 or 1-800-657-3701 or TTY 651-297-2361. You can also visit our website at www.mhfa.state.mn.us/multifamily/multifamily_rehab.htm.

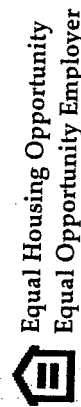
This document is available in alternative formats upon request by calling 651-297-5709 or 1-800-657-3701 or TTY 651-297-2361.

It is Minnesota Housing's policy to provide for fair housing opportunity in all its programs and administer its housing programs affirmatively so that individuals of similar income levels have equal access to Agency programs regardless of race, color, creed, religion, national origin, sex, marital status, status with regard to receipt of public assistance, disability, sexual orientation, or familial status.



HOME

Rental Rehabilitation Program



Minnesota Housing established the Rental Rehabilitation Loan Program to assist owners of smaller rental properties in Minnesota in financing improvements to their investment properties.

The Loan's affordable interest rate and ease of applying are beneficial to owners. The lenders benefit by being able to provide financing to their customers. All Minnesotans benefit by improved rental housing.

While this brochure provides general information about the Rental Rehabilitation Loan Program, owners are encouraged to discuss their particular needs with a local participating lender.

Am I Eligible for a Loan?

Owners wishing to participate in this program must have a good credit history and must be financially secure. The owner must also have equity in the property, and the building must have a positive cash flow. Individuals, partnership, or corporations may apply for a loan. In the case of a partnership or corporation, the principals of the organization must also personally guarantee the debt.

Is My Property Eligible?

A building must have been used for residential housing in the past five years. Mixed-use properties are eligible, provided the majority of the building is being used for residential purposes.

What if I Have A Contract-For-Deed?

Owners purchasing their properties on a contract-for-deed are eligible, but the term of the loan cannot exceed any balloon payment on the contract. In addition, anyone with an ownership interest in the property, including sellers on a contract-for-deed, must sign the mortgage securing the loan.

What Are the Loan Terms?

You may receive up to \$25,000 for a one or two unit property, or \$10,000 per unit for larger properties; with a maximum loan amount of \$100,000. The interest rate is 6%, and the term of the loan may be up to 15 years.

Note: Loans are non-assumable, and due on sale.

Are There Rent and Income Restrictions?

Owners may charge market rents for the units, provided the rents are reasonable.

There are no limits on the owners' income. However, at the time the property improvements are completed and the units are rented, 75% of the units must be occupied by persons or families with an income less than 80% of the statewide median income.

What Can Be Financed?

Most improvements can be financed with a Rental Rehabilitation Loan. The key is to improve the basic livability and energy-efficiency of the building. Eligible improvements include, but are not limited to: insulation, furnaces, wiring, plumbing, painting, roofing, windows, and general remodeling.

Loan funds cannot be used for acquiring properties, adding units, refinancing existing debt, converting non-residential space, or new construction. Other ineligible improvements include: constructing new garages and recreational facilities.

Note: Loan funds may only be used for improvements installed after the loan is closed, except in extraordinary circumstances.

Can I Do the Work Myself?

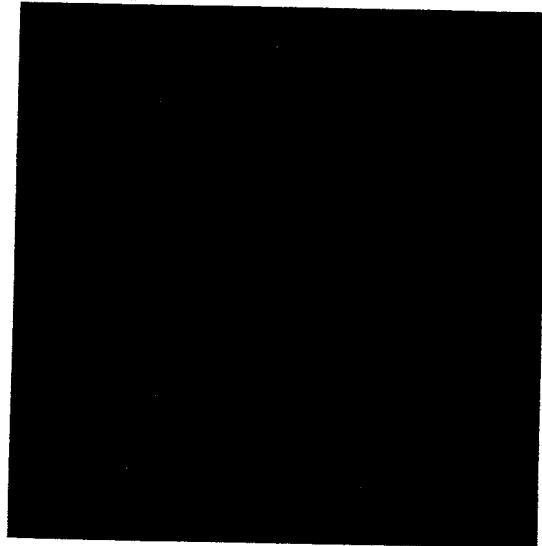
Owners may perform their own work, but they cannot pay themselves labor cost. Other bids for the work will be necessary to ensure that the cost of performing the work is less expensive than having others do the work. The owner must be capable of doing the work and is responsible for obtaining any necessary permits and/or licenses.

How Do I Apply?

Contact your local participating lender. Often, lenders work in partnership with local housing agencies, which are a valuable resource in obtaining other financing or technical assistance.

What Happens After Application?

After application, the lender will review your application and verify the information. An initial Housing Quality Standards (HQS) Inspection and Energy Audit must be conducted to identify the necessary improvements. After a scope of work is determined, the owner will be required to solicit bids for prospective contractors. Prior to construction, the funds will be placed into an escrow account to pay for the work as it is completed. Interim draws are limited to one per month. Work must be completed within nine months from the date of the loan. The property must pass the HQS Inspection after the rehabilitation is completed.



Improve Your
Rental Property
With a...

6%*

**Rental
Rehabilitation Loan**

**annual percentage rate*



The Minnesota Housing Finance Agency (Minnesota Housing) is committed to meeting Minnesotans' needs for decent, safe, affordable homes and stronger communities.

It is Minnesota Housing's policy to provide for fair housing opportunity in all its programs and administer its housing programs affirmatively so that individuals of similar income levels have equal access to Minnesota Housing programs regardless of race, color, creed, religion, national origin, sex, marital status, status with regard to receipt of public assistance, disability, sexual orientation or familial status.

This advertisement is not an offer to enter into an interest rate agreement. Such an agreement may only be made pursuant to Minnesota Statute 47.206 Subds. 3 and 4.

This information can be made available in alternative formats to individuals with disabilities upon request by calling the phone numbers above.

